

DRAFT Redmond City Council 2007/08 Budget Policy Direction

July 5, 2006 Version 4.0a

Purpose

Following voter reaction to the \$0.65 levy lid increase ballot measure in May 2006, the Redmond City Council (Council) needed to refine the policy direction given in the Six-Year Long Range Financial Strategy. As a result of subsequent Council deliberations, this document was created to guide the Administration in the development of the 2007-2008 Preliminary Budget. While this document addresses the specific priorities in the next two-year budget cycle, the City continues to operate under the policy direction given in the Six-Year Long Range Financial Strategy (LRFS).

This document contains policy and tactical guidance, which defines the minimum criteria to which the City Council will compare the preliminary budget. It is the City Council's intention to only adopt a budget that at least meets the direction provided herein.

I. Requesting Information

The City Council requests that the Administration compile answers to a series of questions that will assist the Council and the citizens prepare for future budget discussions. These questions are needed at different times relative to the 2007-2008 Preliminary Budget:

1. Questions asked by the public – These are needed as soon as possible. These are questions that were specifically identified by citizens of Redmond during the levy lid increase ballot measure. The responses should be posted on the City website on or before July 28, 2006, with print copies available as needed.
2. Questions about current service delivery – These are issues that Council Members wish to do analysis upon in advance of receipt of the 2007-2008 Preliminary Budget. While some of these questions were addressed during the Long Range Financial Strategy deliberations, Council specifically requests that the Administration reasonably respond to these requests as if they are new. These responses should be provided between now and August 29, 2006. If responses cannot be reasonably provided, the Administration should consult with Council July 28, 2006 for additional guidance.
3. Technical budget questions – These are requests that should be provided and/or specifically addressed in the 2007-2008 Preliminary Budget when transmitted by the Mayor on or before October 3, 2006.

All Budget Questions are provided in Appendix A of this document.

II. Policy Issues and Direction

With the adoption of the LRFS in 2005, the Council took steps in re-aligning financial policy framework under which the City of Redmond operates. This active policy management requires the Council to regularly review, adjust and provide guidance to the City's financial policies. This document follows the policies contained within the LRFS and other City documents to clarify and address the priorities of the City that should be carefully reflected in the next two-year budget cycle.

1. Overarching Policy

- A. Policies and direction adopted in the LRFS, which were validated in preparation for the 2007-2008 budget cycle.
 - 1. Acknowledge the relationships between taxes, the economics of businesses and individuals, perceptions, and the services delivered to the community.
 - 2. Establish a contextual shift in the City of Redmond's financial planning towards service priorities in support of citizen expectations.
 - 3. Define the priorities for services to be delivered from the perspective of the service recipient.
- B. New and clarified policies and direction.
 - 1. The Council requests the Administration provide a six-year financial forecast with trends and assumptions.
 - 2. The Council requests that fiscal notes be provided on all plans and capital projects sent to the Council for approval. The note should explain how ongoing maintenance will be funded.
 - 3. The City of Redmond is a "green" city and should continue to adapt business practices to reduce the impact upon the environment.

2. Revenues

- A. Policies and direction adopted in the LRFS, which were validated in preparation for the 2007-2008 budget cycle.
 - 1. Assess and maintain fair, equitable and stable sources of revenue
 - 2. Prioritize less volatile revenues sources over revenues more sensitive to changes in the economic climate, such as sales tax and sales tax on construction.
 - 3. The "total" tax bill should be considered when increasing rates
 - 4. There is a limit to the amount of taxation a community will accept
 - 5. Voters should approve tax increases when the proposed increase is above a historical rate
- B. New and clarified policies and direction.
 - 1. The Council has adopted a revenue framework for the 2007-2008 Budget that includes:

- a. Existing taxes, fees, grants and other revenues sources adopted for the 2005-2006 Budget;
- b. A utility tax increase of 0.2%;
- c. A business license fee increase of no more than \$6.75 per Full Time Equivalent (FTE) available to the General Fund;
- d. A one percent increase in property tax collections; and
- e. Any new grant or fee revenue that can be reasonably supported with the above revenue sources.

Any revenues increases for the General Fund beyond those identified above will not be accepted or considered by Council for the 2007-2008 Budget.

2. Reserves and Fund Balances – The budget should not use reserves or ending fund balances to support ongoing operational expenses (except as already planned in the utility funds). One-time revenues should be used for one-time expenses.
3. Business License Tax and Business Tax for Transportation Improvements – The Council is willing to entertain approval of these sources of revenue without explicit sunset provisions.
4. Business Tax for Transportation Improvements – Without a sunset provision attached to this revenue source, the Council recognizes that a reasonable level of maintenance and operations can be a qualified expense of this funding source.
5. General City Fees – The Council is willing to look at increasing fees for this budget based upon an appropriate inflationary index. The base year for any discussion of increasing fees shall be no earlier than 2005. The Council is opposed to automatic indexing of fees.
6. Impact Fees – Impact fees will be discussed before adoption of the 2007-2008 Budget. The adopted budget will reflect the results of these deliberations.
7. The City Council will not entertain further increases in utility taxes or the implementation of a Business and Occupancy Gross Receipts tax.

3. Programs

- A. Policies and direction adopted in the LRFS, which were validated in preparation for the 2007-2008 budget cycle.
 1. Continuous improvement will be employed to reduce the revenue/cost of services gap.
 2. Continuous re-evaluation of existing services for appropriateness and concurrencies with citizen's expectation will be employed to reduce the revenue/cost of services gap.
 3. A balanced approach to the development of new revenues will be employed to reduce the revenue/cost of services gap.

B. New and clarified policies and direction.

1. The Council wants to use one-time money to fund a study of outsourcing City functions.
2. Security of people and property - *A prime reason for the creation of government is to provide for the collective security of the community. In this instance, security includes a broad definition that refers to the well being of the individual. For once the individual is basically secure they can participate more fully in the community. The budget for this priority would expand beyond services that are associated with the Police and Fire departments. The City includes building standards, construction inspections, transportation infrastructure, human services and housing.*
 - a. The City should provide sufficient fire staffing so that no current stations are closed.
 - b. The City should provide sufficient fire staffing so that all current apparatus (fire and medical) are fully operational.
 - c. The City should maintain current police programs including the SRO program.
 - d. If funds are available, the City should increase resources to address emerging issues such as cyber crime, identify theft and homeland security.
3. Mobility of people and goods - *The provision of general infrastructure is another key reason for government's existence. In this case the City specifically single-outs transportation for two reasons 1) because the residents have identified it as a key challenge, and 2) we recognize the critical relationship between the transportation system and economic vitality. The budget for this priority would include transportation demand management, trail maintenance, transit enhancements, as well as the more familiar road maintenance functions.*
 - a. The Transportation Improvement Plan and the capital budget will be discussed before adoption of the 2007-2008 Budget. The adopted budget will reflect the results of these deliberations.
4. Utility services - *Basic utilities are examples of where cities provide service to meet the needs of the community. In general, utilities address health concerns by providing clean water, protecting surface water, and removing waste (garbage and sewer).*
 - a. Utility Services and rates will be discussed before adoption of the 2007-2008 Budget. The adopted budget will reflect the results of these deliberations.
5. Recreation opportunities - *The priorities of Redmond now shift from basic needs to quality of life issues. Many surveys by the City have identified recreation and open space as a top quality of life issue.*
 - a. The Council is open to reviewing Parks and Recreation fees to make these program more self-sufficient.

6. Sustainable & vibrant economy - *Redmond desires a sustainable and vibrant economy so that the private sector can deliver the goods and service needed in the community. A strong sales tax base provides the opportunity to balance revenue sources. Services committed to this priority include long-range planning, business licensing, general government services, and investments in tourism.*
 - a. Use capital facilities to attract growth and foster economic vitality by giving priority to funding for public facilities and services within the Downtown Redmond and Overlake Centers, and by prioritizing projects outside the Centers that will increase mobility to and from the Centers.
 - b. The City needs to continue to improve permit processing times.
7. Building community - *Building community comes in many forms and is partially accomplished in the priorities above. The City government is a part of the community and is not community itself. To that end, the City facilitates community building to create a higher quality of life. Activities in this area may include arts, community events, trails and neighborhood connections, and communication to the citizens.*
 - a. The City should maintain its commitment to supporting human services.
 - b. The City's commitment to affordable housing should be maintained.
 - c. Community Events is a program area the City could reduce to fund higher priorities.
 - d. The City should evaluate the efficiency and effectiveness of its communication programs (including but not limited to Focus Magazine and General Fund supported specialty cable TV show production) and reduce or eliminate the least effective methods.
 - e. The City should improve its web site functionality while not increasing the communications budget over the 2005/06 budgeted level.
8. Healthy natural environment - *Redmond residents appreciate the natural elements of the City. These elements include Bear Creek, Sammamish River, the mature trees, clean air, green environment, and the variety of wildlife. Protection of these resources is partially accomplished through the City's building and land use standards. Expenditures in this area would include surface water quality, critical area protection, and traffic congestion reduction efforts.*
 - a. Where possible, the City should purchase and replace vehicles with an emphasis on reducing the City's dependency on fossil fuels. Appropriate performance measurement (i.e. gas consumption) should be provided and planned to gauge success.
 - b. The City should implement an employee energy conservation initiative to reduce expenses.
 - c. The City should continue to encourage the community to embrace environmental ethics.

9. Protection of assets - *This last priority addresses stewardship of the city's infrastructure in roads, pipes and buildings. The city owns, operates, and maintains assets valued at over \$300,000,000. Activities included in this priority would include maintenance, new construction, risk management, and record keeping.*
- a. The maintenance of resources and the replacement of capital equipment is a high priority of the Council.
 - b. Capital equipment replacement should be fully funded.
 - c. Standards should be developed and presented that enable the prioritization of maintenance.
 - d. The 2007-2008 budget should be supplemented with identification of the benefits related to levels of planned maintenance levels and the potential for measurements.

4. Capital/Debt

- A. The priorities of all capital programs are to:
 - Maintain or replace current assets
 - Address immediate safety needs
 - Follow direction given in the Comprehensive Plan
 - Provide operational efficiency
 - Enhance or expand the capacity of current assets
- B. The Council is willing to use debt financing on capital projects that improve infrastructure or benefit the whole City.
- C. The majority of Council supports continuing the financial policy of transferring 5% of general fund revenues to support the City's capital plans.
- D. Council is willing to reconsider the how this 5% Capital allocation is distributed amongst the functional programs.

Exhibit A

1. Questions asked by the public

Place the cost/benefit analysis of a new City Hall on the web site?
What is the split of property taxes between commercial and residential owners (\$ & %)?
Estimate cost of services per household/resident/employee?
Explain how the property tax is calculated and increases work?
Explain why growth doesn't provide enough revenue to expand service delivery?
Explain the sources of greater service demand?
Explain the proportions and limits of capital, operating & utility dollars on one page?

2. Questions about current service delivery

What is the cost/percentage of mandated services the City provides?
Provide the percent of daytime population attributable to local business?
In Police, Fire & Parks, what are the three most critical service deliverables?
Provide the number of missed calls (or similar metric) for police service?
Provide the number of fire stations closed for lack of staffing?
Provide the hours that fire equipment has been out of service due to lack of staffing?
Compare fire overtime costs from 2000-2006 with neighboring cities?
Quantify the drivers of fire overtime costs?
Provide the number of fire responses from other jurisdictions (and the reciprocal figure)?
What is the trending pattern on permit processing time?

3. Technical budget questions

Justify carryover dollars on projects/plans not fully expended started in this budget cycle?
List all budget assumptions in one place? Include dollars per FTE?
Compare Redmond's revenues sources and sizes to neighboring cities?
What is the percent of business tax to other taxes for Redmond and other cities?
Provide the budget so we can see the cost of programs? (i.e. RCTV, Focus)
What is the number of non-resident daytime employees?
Describe City practices that move to reduce global warming?
What is the percent of the General Fund budget spent on public safety?
Compare Redmond's public safety budgets to Kirkland and Bellevue?
Present a break down of the Public Safety budget by prevention and reactive costs?
Provide public safety response times?
What is the police head count (actual and authorized) from 2000-2006?
Compare the number of fire stations with neighboring cities?
Provide the Fire budget with 2003/04 Actual, 2005/06 Budget & 2005/06 Actual?
Would a 100% sprinkler ordinance reduce fire operation costs?
Develop a graphic to demonstrate the cost to hire the average firefighter and police officer for duty?
Provide the full plan for the record system upgrade?
How many Public Information Officers working in the City? Where?
Is the maintenance of all current capital assets funded?
Provide CIP actuals by project for the last five years with original budget & delivery date?
Provide the budget numbers in Excel format to Council?